

Task Force on the Economic Future of Western Maryland

Recommendations From Interim Report and Subsequent Meetings – 10/6

This document contains 15 recommendations for review by the Task Force on the Economic Future of Western Maryland during its October 6, 2021 meeting. The first 14 recommendations are those from the Interim Report submitted by the Task Force in February 2021. These recommendations may be amended or deemed unnecessary for inclusion in the final report. The final recommendation was developed during the Task Force’s meeting on September 2, 2021. Please note that additional recommendations may still be developed.

Table 1: Summary of Recommendations and Actions

Rec. #	Recommendation	Action Voted on by Task Force During 10/6 Meeting (Keep, Amend, Remove)
TF-1	The Creation of the Western Maryland Economic Future Investment Fund	
TF-2	Revisions to the Maryland Innovation Initiative	
TF-3	Enhancements to the Maryland E-Innovation Initiative Fund	
TF-4	Public Private Partnerships on State Land	
TF-5	Turn State-Owned Land Over to Counties for Economic Development	
TF-6	Allocate Additional Funding to Maintain State-Owned Lakes	
TF-7	Support Enactment of the Maryland Technology Infrastructure Pilot Program	
TF-8	TEDCO’s Rural Business Innovation Initiative (RBII)	
TF-9	Support Tax Credits and Programs Designed to Allow Maryland’s Tourism Industry to Recover from COVID-19	
TF-10	Support Tax Credits That Encourage Additional Market-Rate Housing in Western Maryland	
TF-11	Support Small Business Participation in Association Health Plans	
TF-12	Redefine the Meaning of Qualifying Biomass and a Thermal Biomass System	
TF-13	Encourage the State of Maryland to Identify Priority Trail System Opportunities for Advancement in Western Maryland	
TF-14	A Bill to Extend the Activities of the Task Force on the Economic Future of Western Maryland	
TF-15	Implement a Property Tax Credit for New Homeowners in Western Maryland to Encourage Population Growth	

Recommendations as Written in the 2021 Interim Report

TF-1: The Creation of the Western Maryland Economic Future Investment Fund

The Task Force on the Economic Future of Western Maryland recommends legislation be introduced to create a new program to spur economic development in Western Maryland (Garrett, Allegany, and Washington Counties). The program, the Western Maryland Economic Future Investment Fund (WMEFIF) will be set up as follows:

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- The WMEFIF will run for an initial pilot period of five years.
- Each fiscal year, the Governor will allocate \$20 million to fund the WMEFIF.
 - If any money remains unallocated at the end of the fiscal year, it is carried over and does not impact the budget allotment for the next fiscal year.
- The WMEFIF will receive oversight through an eleven-person board set up as follows:
 - One (1) representative from the Maryland Department of Commerce who will act as chair of the oversight body,
 - One (1) county commissioner from each county,
 - One (1) representative from an economic development organization in each county as appointed by the county's commissioners,
 - One (1) representative from each county's chamber of commerce, and
 - One (1) representative from the Maryland Municipal League that would represent the three counties.
 - The Tri County Council of Western Maryland will provide support staff to the WMEFIF board.
- Projects eligible for funding through the program will include:
 - Capital Infrastructure Projects:
 - Infrastructure projects must be linked to economic development as approved by the WMEFIF board.
 - The county the project is located in, another local entity, a private business, or a combination thereof must match 20% of the amount approved by the WMEFIF board.
 - Business Development Projects:
 - This category includes, but is not limited to, capital grants, funding for downtown/area revitalization, small business tourism grants, and other items not related to capital infrastructure and as approved by the WMEFIF board.
 - The county the project is located in, another local entity, a private business, or a combination thereof must match 10% of the amount approved by the WMEFIF board.
- To receive funding, projects must lead to improved economic conditions in Western Maryland. This may be shown through metrics delineated in the legislation and implemented by the oversight board that include, but are not limited to:
 - Created/retained jobs,
 - Number of new/retained businesses,
 - Increased wages, or
 - New state and local tax revenue.
- Each county or other local entity within the three county area will present potential projects to the WMEFIF board and the board will vote on whether to approve each project.
- Each year, the WMEFIF board shall generate an annual report that details:

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- The number of new projects funded that year by county;
 - The number of completed projects that year by county;
 - The number of ongoing projects by county;
 - For each project, the amount of funding provided by the WMEFIF;
 - For each project, relevant economic metrics; and
 - For each project, the progress made or outstanding.
- If the WMEFIF board determines that insufficient progress has been made after a project receives funding, or that a project did not sufficiently deliver on its promises, the board will be able to claw back the award.
- For any given project, The WMEFIF does not replace existing funding opportunities from other state programs. Instead, the WMEFIF serves to enhance existing economic development opportunities and resources in the region.

TF-2: Revisions to the Maryland Innovation Initiative

TEDCO operates the Maryland Innovation Initiative (MII) that promotes the commercialization of research occurring at Maryland's five research universities:

1. Johns Hopkins University;
2. Morgan State University;
3. University of Maryland, Baltimore;
4. University of Maryland, Baltimore County (UMBC); and
5. University of Maryland, College Park.

Since the program's inception in fiscal year 2013, MII has awarded 252 grants and 74 investments across a diverse range of industries such as life sciences, engineering, and information technology. Companies supported by MII have found success, and 57 percent of MII companies raise follow-on funding within two years.

Although the program has been successful, it is currently limited by statute to the state's five research universities. Expanding MII to additional universities could allow for enhanced economic development opportunities across Maryland.

To this end, the Task Force on the Economic Future of Western Maryland recommends legislation be introduced to establish a pilot expansion of MII at Frostburg State University, located in Allegany County. A pilot program would work as follows:

- For FY 2023 and FY 2024, the Governor shall include an appropriation of \$500,000 for the pilot program.
 - This funding shall be used to supplement, not supplant, any funds that would otherwise be provided to MII.
- Frostburg State University shall pay an annual contribution of \$50,000 in FY 2023 and FY 2024.
- To be eligible for funding under the pilot program, a project must:
 1. Support the creation of a new technology-based business in Maryland;

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2. Advance technology toward commercialization of a product or service;
 3. Foster entrepreneurial development at Frostburg State University;
 4. Create an opportunity for meaningful economic impact in the region around Frostburg State University; or
 5. Foster collaborations between the university and an industry partner and must include:
 - Product development with commercialization potential; and
 - Matching funds provided by the industry partner.
- TEDCO will provide the General Assembly with a report on or before July 1, 2024 summarizing the implementation of the pilot program at Frostburg State University.

TF-3: Enhancements to the Maryland E-Innovation Initiative Fund

The Maryland E-Innovation Initiative Fund (MEIF) is currently administered by the Maryland Department of Commerce. The program is designed to encourage research endowments at Maryland's colleges and universities. Through MEIF, the state provides matching funds to funding that institutions of higher education have secured from private sources in support of research endowments. The program has had considerable success. In fiscal year 2019, the state awarded eight Maryland colleges and universities a total of \$95 million in matching funding and in fiscal year 2020, the state awarded six institutions \$8.5 million in matching funds. While the program has made an impact, mandated funding is currently set to expire at the end of fiscal year 2021. Additionally, smaller colleges and universities have encountered challenges in providing matching funds. The Task Force on the Economic Future of Western Maryland recommends that legislation be introduced to extend the mandated funding period beyond fiscal year 2021. If legislation to extend mandated funding is introduced, the task force recommends that legislation be amended so that institutions with an annual unrestricted current funds budget of less than \$250 million only need to obtain a qualifying donation, pledge, or combination of donations and pledges of \$200,000 instead of the current level of \$500,000.

TF-4: Public Private Partnerships on State Land

Western Maryland's parks and campgrounds are a crucial component of the region's tourism industry. Ensuring that these resources are well maintained is essential to ensuring that more visitors come to the region. The Task Force on the Economic Future of Western Maryland recommends that the Maryland Department of Natural Resources (DNR) explore a public-private partnership within one of Western Maryland's parks or campgrounds. Through this partnership, DNR would lease one property to a private partner. The private partner would operate, maintain, and expand existing facilities at the property with the approval of DNR. This arrangement would yield a new revenue stream to the state as well as ensure that the region's tourism industry continues to thrive.

TF-5: Turn State-Owned Land Over to Counties for Economic Development

The State of Maryland owns a substantial amount of land in Washington, Allegany, and Garrett counties. The State of Maryland can leverage this ownership to encourage economic

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development across Western Maryland while still preserving the region's natural resources and splendor. The Task Force on the Economic Future of Western Maryland recommends that the State of Maryland work with each county in the region to identify key parcels of land that counties can use for critical business development projects. For these parcels, the task force recommends that the state and counties identify ways for this land to be turned over to the counties. Examples of potential key parcels include:

- An 800+ acre parcel in Garrett County at the intersection of 219N and I-68 in Grantsville. This parcel could be the site of a successful business park due to its access to quality transportation in the region if the site were turned over to Garrett County.
- Land within Rocky Gap State Park in Allegany County that could be developed by private businesses to enhance the park's offerings.

TF-6: Allocate Additional Funding to Maintain State-Owned Lakes

The State of Maryland owns 16 lakes, many of which are located in Western Maryland. These lakes are economic engines, generating hundreds of millions of dollars in economic impact each year and in many cases supporting a substantial property tax base along the lake shores. Maintaining these lakes ensures the longevity of these resources for the localities that depend on them. As such, the Task Force on the Economic Future of Western Maryland recommends that the Governor add an additional line item of \$3 million per year to the Maryland Department of Natural Resources' budget in order to maintain state-owned lakes. This funding should not supplant existing funding going to the Maryland Department of Natural Resources.

TF-7: Support enactment of the Maryland Technology Infrastructure Pilot Program

The Task Force on the Economic Future of Western Maryland recommends that legislation be passed to establish a pilot program within TEDCO to:

- 1) Support the innovation economy by incentivizing the development of advanced industry infrastructure and resources that build on the existing strengths of Western Maryland's economy; and
- 2) Support the growth of and incentivize the attraction and retention of early-stage innovation-based businesses in Western Maryland through the creation of supporting infrastructure and resources.

This pilot program would be overseen by the Maryland Technology Infrastructure Authority which would consist of the following members:

- 1) Two members appointed by the Governor that are entrepreneurs or business owners in Western Maryland;
- 2) The president of the Frostburg State University, or the president's designee;
- 3) The president of a community college located in the Western Maryland, or the president's designee, appointed by the Maryland Association of Community Colleges; and
- 4) The executive director of the corporation; or the executive director's designee.

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TEDCO, through the pilot program and based on recommendations from the Authority, would make awards for the following purposes:

- 1) support large-scale infrastructure or resource projects in Western Maryland to attract talent, foster collaboration, and enable concentration and growth of advanced industries;
- 2) Foster public-private collaborations to encourage development of shared infrastructure and resources; and
- 3) Support talent development initiatives that address critical skill shortage areas in industries critical to growth in Western Maryland.

Financial awards (which may be made to public or private entities in the State including institutions of higher education) will not exceed one third of the total cost of a project or \$500,000 per project. Priority for the award of any financial assistance shall be given to those projects that are most likely to:

- 1) attract significant investment in the state;
- 2) result in significant company formation, expansion; or job creation; or
- 3) result in meaningful economic and employment development in Western Maryland.

TEDCO will provide the General Assembly with a report on or before July 1, 2024 summarizing the implementation of the pilot program and detailing recommendations on the expansion of the pilot program to a statewide program.

TF-8: TEDCO's Rural Business Innovation Initiative (RBII)

TEDCO's Rural Business Innovation Initiative (RBII) assists start-up and small technology-based businesses in the rural areas of Maryland to advance the company to a higher level of success. The program offers professional ongoing mentoring and targeted funding at no cost to the company. Currently, TEDCO does not have specific state funding for this program. Despite the lack of dedicated funding, TEDCO allocates \$500,000 from their operating funds to provide the network assistance and for a small pre-seed investment fund. While the program receives relatively limited funding, the investments to date show great promise as 87 percent of funded companies are still in operation.

The Task Force on the Economic Future of Western Maryland recommends that the Governor include an appropriation of \$500,000 to fund the RBII, and that this funding be used to supplement, not supplant existing TEDCO funding.

TF-9: Support Tax Credits and Programs Designed to Allow Maryland's Tourism Industry to Recover from COVID-19

Maryland's tourism industry has faced unprecedented challenges in the wake of COVID-19. The industry is critical to the economies of all of Maryland's regions and Western Maryland is no exception. The Task Force on the Economic Future of Western Maryland supports the following legislation and recommends both items be passed during the 2021 legislative session:

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- SB 64 - Unemployment Insurance - Earned Rating Record - Waiver of Benefit Charges Due to COVID-19 - to ensure unemployment insurance rates do not rise for companies that were forced to layoff workers during the pandemic and
- Legislation to enact the ‘Explore Maryland Tax Credit,’ which would incentivize more Maryland residents to travel and support businesses hardest hit during the current economic downturn.

TF-10: Support Tax Credits That Encourage Additional Market-Rate Housing in Western Maryland

The Task Force on the Economic Future of Western Maryland recommends that the Governor establish tax credits that would incentivize the construction or renovation of properties to increase the supply of market-rate housing in Western Maryland. In order to attract and retain the necessary workforce to power the industries and companies of Western Maryland’s future, the region needs to ensure a sufficient supply of housing is available for workers. If not, otherwise successful businesses in Western Maryland may leave for an area where it is easier to attract and retain a talented workforce.

TF-11: Support Small Business Participation in Association Health Plans

The Task Force on the Economic Future of Western Maryland notes that legislation has been submitted during prior legislative sessions to amend the Maryland Healthcare Access Act of 2018 to remove language prohibiting small businesses from including their owners, employees, and family as part of the larger pool of employees in an Association Health Plan. If legislation on this topic is introduced during the 2021 legislative session, the Task Force on the Economic Future of Western Maryland recommends that it be passed.

TF-12: Redefine the Meaning of Qualifying Biomass and a Thermal Biomass System

The Task Force on the Economic Future of Western Maryland supports efforts to amend Maryland’s Renewable Portfolio Standard (RPS) so that:

1. The definition of ‘qualifying biomass’ is updated to include wood products, including mill residues, silvicultural products, and natural wood wastes.
2. The definition of a ‘thermal biomass system’ be updated to include qualifying biomass.

These two changes will support Maryland’s transition to green energy as well as support Western Maryland’s robust forestry industry. If legislation is introduced during the 2021 legislative session, the Task Force on the Economic Future of Western Maryland supports its passage.

TF-13: Encourage the State of Maryland to Identify Priority Trail System Opportunities for Advancement in Western Maryland

Trail systems, whether hiking trails, rails-to-trails paths, or multi-use networks are a critical component of Western Maryland’s tourism ecosystem. The Task Force on the Economic Future of Western Maryland recommends that the Maryland Department of Natural Resources, the Maryland Department of Transportation, and the Maryland Department of Commerce work

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closely with each county in the region to identify priority trail systems to create or to enhance. To the extent that counties already have identified key projects, the task force recommends that Maryland's state agencies work aggressively to ensure projects are completed.

TF-14: A Bill to Extend the Activities of the Task Force on the Economic Future of Western Maryland

The Task Force on the Economic Future of Western Maryland recommends legislation be introduced to extend the Task Force on the Economic Future of Western Maryland through October 1, 2021 with a final report due on or before October 1, 2021.

New Recommendation(s)

TF-15: Implement a Property Tax Credit for New Homeowners in Western Maryland to Encourage Population Growth

Western Maryland's population has fallen over the past decade even while employment has risen. This indicates that the region's workers are living outside the region. Workers generally locate outside the region due to two related reasons:

- The supply of available housing is greater in neighboring jurisdictions, such as West Virginia.
- There are few homes available at the price-point consumers want in Western Maryland.

These two reasons have a related cause: the high cost of housing construction in the region. Developers shift projects to West Virginia or Pennsylvania to take advantage of lower input costs. This increases the supply of relatively cheaper housing outside of Western Maryland. When homes are built in the region, various regulations increase the input price of the homes which is in turn passed on to consumers. Increasing residents in Western Maryland's towns is a win-win. It benefits residents who can enjoy a shorter commute to work and it benefits local jurisdictions as these new residents pay taxes and support local businesses.

To help entice new residents, the Task Force on the Economic Future of Western Maryland recommends legislation be introduced that establishes a property tax credit for new homeowners in Western Maryland. The level of the credit should be set to help counter the costs associated with regulations concerning sprinkler installations, septic tanks, and last-mile broadband installation.